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C O N F I D E N T I A L SECTION 01 OF 02 QUITO 003081

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SUBJECT: GOE PRESSES ITS LUCK -- NEXT STEPS ON STABILITY

REF: QUITO 3037

Classified By: Ambassador Kristie A. Kenney for reason 1.4 (b&d)

1. (C) Summary: A concerted USG effort to promote political stability contributed to the lessening of political tension over impeachment, and will continue to be important in the aftermath. Although the situation has calmed somewhat since the failure of an opposition initiative to impeach President Lucio Gutierrez on November 9, Congress remains fractured and conflictive. Seeking to reverse its fortunes, but at the risk of making things worse, the Gutierrez government has launched a counter-offensive against the PSC and its leader, Leon Febres-Cordero, attacking his family's wealth, the PSC's sinecure in the courts, and working to deny the PSC or its allies top leadership positions in Congress. The result of this counter-offensive will become apparent on January 5, when the Congress chooses new leadership. In this context of continued conflict and political uncertainty, we believe it vital for the USG to continue to exploit opportunities to promote democratic stability in Ecuador. End Summary.

Background on USG Democracy Stabilization Efforts

2. (SBU) On the eve of a preliminary vote on impeachment proceedings, the Ambassador spoke to the press on the margins of a US company donation ceremony on November 5, noting strong USG support for constitutional democracy, our respect for the votes cast by Ecuadorians in 2002 in a free and fair election and our strong belief that stability favors economic growth and poverty reduction. The Ambassador's remarks made headlines and contributed to the subsequent cooling of impeachment fervor inside and outside of Congress.

3. (C) Members of the country team and ConGen Guayaquil have echoed the Ambassador's message to key contacts in government, the military, and civil society. We have also used a series of high-level USG visits to reinforce the Ambassador's public message with key players in private. SecDef Rumsfeld emphasized USG support for democratic institutions, including Congress, to President Gutierrez and Defense Minister Herrera on November 16. General Craddock made similar points to the Ecuadorian high command on the margins of the Defense Ministerial of the Americas conclave. We enlisted visiting Commerce DAS Walter Bastian and USTR spokesman Richard Mills to include political/economic stability points in their appearance before an influential private sector audience on November 11.

Opportunities/Next Steps

4. (C) We will soon have other opportunities to stress USG support for Ecuadorian democracy and stability. Former President Bush's visit to Guayaquil has been postponed until December; he had helpfully declined a private invitation from Febres-Cordero, and had earlier declined a meeting in Houston requested during the impeachment process by Vice President Alfredo Palacio. Former President Bush has agreed to include an emphasis on political stability in his speech to influential private sector leaders in Febres-Cordero's presence. Next, CoDel Weller is slated to visit in January, and can help encourage the new Congressional leadership get down to the business of governance after a long series of diversions.

5. (SBU) Meanwhile, the Gutierrez government faces a series of challenges/opportunities in coming months. On November 24, Gutierrez' PSP joined with a coalition reportedly including the PRE, PRIAN, independents, MPD, the Socialist Party, and others to propose that Jorge Montero, a Congress member for the coastal Concentration of Popular Forces party (CFP), be named second vice president of Congress. Media speculated that the intent of this move to fill a seat left vacant since early 2003 is for Montero to assume the leadership in the absence of Congress President Landazuri to call an extraordinary session of Congress during the upcoming recess. According to PRE sources, the motion on Montero was to be followed by a proposal to restructure the Supreme Court, the Constitutional Tribunal, and the Supreme Electoral Tribunal to reduce the influence of the Social Christian Party in these institutions.

16. (C) The regular Congressional session will end on December 3, and be followed by the Quito founding celebrations and the holiday recess. President Gutierrez is expected to make Cabinet changes in December which could also affect the political climate. (See Ref A on the impeachment process against controversial Social Welfare minister Antonio Vargas.) Next up would be the battle over Congress' leadership positions for 2005-6 (including the presidency, two vice presidencies, and committee chairs), to be decided by vote on January 5, the first day of the new session. After Congressional leadership is decided, the Congress will select a new Attorney General, currently under PSC control, and may move to fill the still-vacant Comptroller position.

Comment

17. (C) With the PSC damaged by the impeachment vote (down to 22 seats from 25), the government is clearly seeking to take the offensive. Though GoE leaders have backed away from earlier hints that the Congress might be dissolved, Gutierrez announced a hard-line "mano dura" approach to public debtors, including Febres-Cordero's relatives, and his Congressional supporters now seem intent on building a working anti-PSC coalition. Our view is that prospects for a lasting pro-government coalition are remote. Our sources put pro and anti-government forces even at 44 apiece, with the balance in the hands of the moderate Popular Democracy Party (4 votes), and the Marxist MPD and Socialists, with three votes each. While PRE leaders tell us the government has constructed a coalition which includes judicial reform and the January 5 leadership vote, that may be wishful thinking. Many agree that PSC influence in the courts must be reduced, while each party individually aspires to Congressional and committee leadership positions.

18. (C) The costs of ongoing political conflict are readily apparent here, and affect important U.S. interests. Despite a pressing unmet agenda of national needs, Congress is unlikely to act on substance before January 5 (with the possible exception of the budget, which will take effect automatically if Congress does not act before December 30). Of greater concern, each subsequent effort to unseat the president builds on the previous and generates a highly conflictive aftermath, paralyzing the GoE policy process.

KENNEY